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## THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

NFAC-3895-81  
24 June 1981

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

THROUGH : Deputy Director for National Foreign Assessment  
National Intelligence Officer for Warning

FROM : National Intelligence Officer for Latin America

SUBJECT : Monthly Warning Assessment: Latin America

1. El Salvador

The war with the leftist extremist insurgents remains essentially stalemated. The security forces continue gradually to increase their capability, but still do not have the numbers and know-how to do more than contain the insurgents. The latter, at some point, may seek to mount a "spectacular" designed to demonstrate for domestic and international political purposes that they are still in business. Civil-military relations within the junta seem stable. But the tendency of many officers to see the Christian Democrats as part of the problem (ineffective, corrupt, pro-Communist) rather than part of the solution remains a disruptive undercurrent. Under current circumstances, restoring the battered economy--which junta President Duarte calls the number one problem--is all but impossible. (S)

2. Guatemala

The leftist extremist guerrillas appear to be increasing in size and effectiveness, and are attracting increased support among Indians, especially in areas where the government's military presence is tenuous. The government's response concentrates on indiscriminate search-and-destroy military action and on repression--including tacitly-sanctioned killings of suspected civilian sympathizers as well as non-extremist political oppositionists. Should the guerrillas continue to gain strength--as seems likely--the government's strong tendency toward repression will tend to undercut any readiness to respond to US overtures for improved relations based on limiting the counterinsurgency campaign to action against combatants and greater tolerance of moderate opposition groups. (S)

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### 3. Nicaragua

Growing factionalism within the Sandinista leadership is likely to strengthen various disturbing tendencies: arms buildup, closeness to Cuba, constriction of opposition groups. The arms buildup--with a still covert but growing Soviet role--probably indicates that the Sandinistas see a showdown with the US [REDACTED] as inevitable. (S)

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### 4. Cuba

Widespread popular alienation continues. But the instability which prevailed throughout much of 1980 is now much less evident. Last year's problems were partly beyond Castro's control: an unusually poor year for consumers and the buildup of discontent because of previous low levels of emigration. They also reflected Castro's tactical mishandling of the refugee issue and his misreading of the popular mood. He has corrected his course by downplaying the need for economic sacrifice and the divisive refugee issue, and by emphasizing the Yankee menace. He has also tightened security controls and taken small steps to improve consumer well-being. Eventually the various pressures which he cannot control will build up again. But widespread disturbances seem unlikely in the near term unless he again miscalculates and more-or-less creates his own domestic crisis. (S)

### 5. Argentina

President Viola's authority is being undermined, and the effectiveness--and potentially the survival of his government is at stake. Viola is hemmed in by the military junta that formally selected him, and is subject to second-guessing by military officers and government officials alike. Some officers are said to favor replacing him. The erosion of Viola's authority complicates the handling of the delicate economic situation and emboldens military opponents of his relatively moderate political program. The ascendance of his opponents could open the way for deteriorating civil-military relations. This in turn would complicate US efforts to improve bilateral relations. (S)

### 6. Brazil

Military opponents of President Figueiredo's gradual political opening are greatly complicating life for him. They sponsored an ongoing spate of bombings designed to embarrass the administration, unnerve the populace, and halt the opening. These dissidents are generating tension within the government, which must preserve military unity and support, while working to mollify increasingly outspoken civilian groups. Even if the President successfully contains his military critics now, they will remain a potentially troubling factor for the foreseeable future. (S)

  
Jack Davis

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